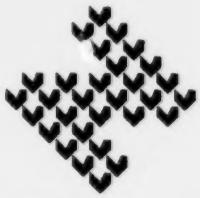


Newfoundland and Labrador
Housing Corporation

Annual Report

2005-06

Vision

Newfoundland and Labrador Housing Corporation's vision is of safe and affordable housing for all residents of the province.

Mission

To improve the housing circumstances of low-income citizens through programs and services that assist renters and homeowners.

Mandate

Newfoundland and Labrador Housing Corporation's (NLHC) mandate is to develop and administer housing assistance programs for the benefit of low-income households. In fulfilling this mandate, NLHC works in close co-ordination with various provincial government departments and numerous community-based organizations.

Table of Contents

Organization 2

Letter to the Minister 3
Honourable Shawn Skinner
Department of Human Resources, Labour and Employment

Chairman's Message 4
Len Simms
Chairman and Chief Executive Officer
Newfoundland and Labrador Housing Corporation

Corporate Profile 5

Regional Map 6

Core Business Lines 7

Performance Against Objectives 10

Honouring Employees 12

Corporate Scholarships 13

Auditor's Report 14

Financial Statment 15

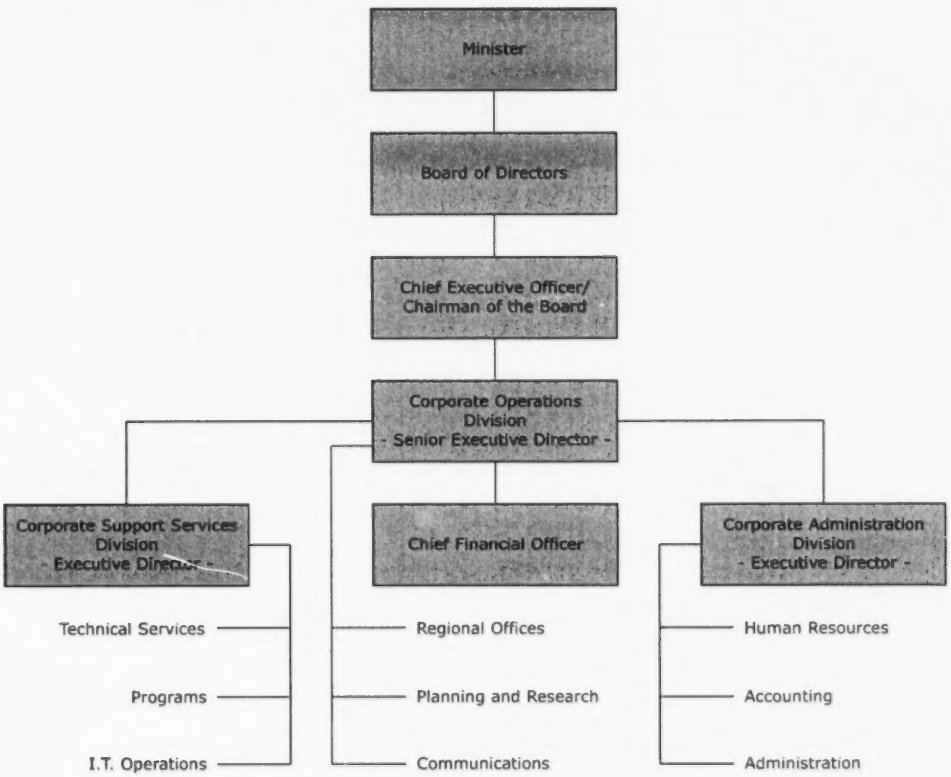
Corporate Directory 31

Head Office and Regional Operations (addresses) 32

The Organization

Newfoundland and Labrador Housing Corporation (NLHC) is a provincial crown corporation which operates under the authority of the Housing Corporation Act. It has responsibility for the implementation of government's overall public housing policy and programs. The corporation is governed by a board of directors appointed at pleasure by the Lieutenant Governor in Council and reports to the Government of Newfoundland and Labrador through the Minister of Human Resources, Labour and Employment, Responsible for Housing. The Chairman of the board serves in a dual capacity as Chief Executive Officer and is responsible for NLHC's day-to-day operations.

The corporation's head office is located in St. John's, and its policies and programs are administered through seven regional offices located in St. John's, Marystown, Gander, Grand Falls-Windsor, Corner Brook, Stephenville and Happy Valley-Goose Bay. It has a staff complement of 304 permanent and temporary positions and employs an additional 64–75 employees on a seasonal basis. Approximately 60 per cent of the staff complement are located in St. John's where 60 per cent of the corporation's housing portfolio is also located. This regional administrative structure ensures all residents of the province have access to the programs and services provided through NLHC by the Government of Newfoundland and Labrador.



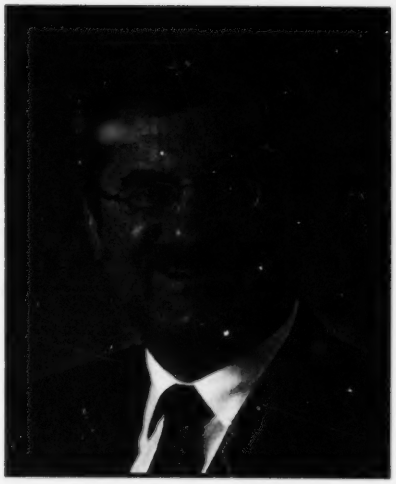
Letter to the Minister

Dear Mr. Skinner:

On behalf of the Board of Directors, I have the honour of presenting to you the Annual Report of the Newfoundland and Labrador Housing Corporation, including the audited statement of accounts, for the fiscal year ended March 31, 2006.

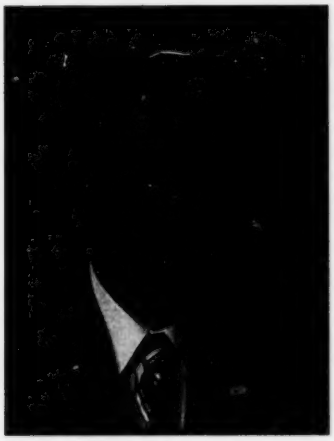
Sincerely,

LEN SIMMS
Chair and Chief Executive Officer



Honourable Shawn Skinner
Minister

Message from the Chairman



We are all aware of the impact Housing has on so many facets of our society – health and well-being, education, and our interaction with each other. Safe and affordable housing provides a place for people to feel safe, a foundation to build on, enabling them to focus on their own personal development, allowing them to contribute more to society and be less dependent on social systems. We continue to work diligently to provide safe and affordable housing to low-income people in need throughout our province.

In November 2005, NLHC successfully negotiated Phase II of the Canada/Newfoundland Affordable Housing Agreement which provided an addition $10.62 million to create more affordable housing for low-income households throughout the province. The agreement also allows for more flexibilities under Phase I of the agreement, and will stimulate more private sector involvement and the ability for NLHC to regenerate some of its existing housing stock.

We've undertaken a joi union-management housing officers study. This study will review current housing administration p actices and identify and recommend the most effective, efficient use of corporate resources, as well as identify and recommend enhancements to client service.

Significant changes in our Information Technology systems will enable us to provide enhanced client service. In 2005, a Request for Proposals was issued to obtain new software to support NLHC's key areas of operations, including finance, rental housing property management and loans. New hand-held inspections technology was also piloted in our Avalon Regional Office for the Provincial Home Repair Program. This new technology significantly reduces administration and inspection travel time and increases the number of inspections able to be completed by 225% per week.

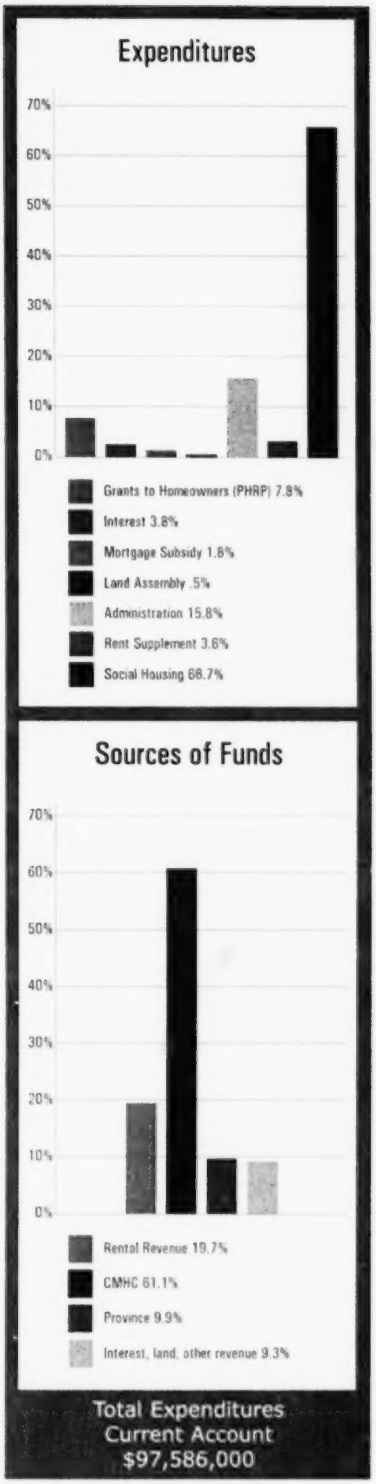
A review of social housing delivery within the province was also undertaken this year. An inter-departmental committee which included staff from NLHC, the departments of Human Resources, Labour and Employment, Finance, Transportation and Works, Health and Community Services and Women's Policy was formed. Their goal is to determine the best method to deliver NLHC's current social housing programs throughout the province. Input is being solicited from both internal and external key stakeholders province-wide, such as NLHC clients, Community Centres, non-profit groups, NLHC employees and other government agencies involved in housing is critical to the process. The team will report their findings to the Deputy Minister of DHRLE in June 2006.

Over the course of this past year, I have had the opportunity to travel to all of our seven regional offices and meet with staff. We have spoken openly and honestly about issues, ideas and suggestions, and how we, as an organization, can make a real difference. Through our discussions, I've seen first-hand that we have a distinct advantage — our employee commitment which is the best possible asset any organization could have to meet any challenges.

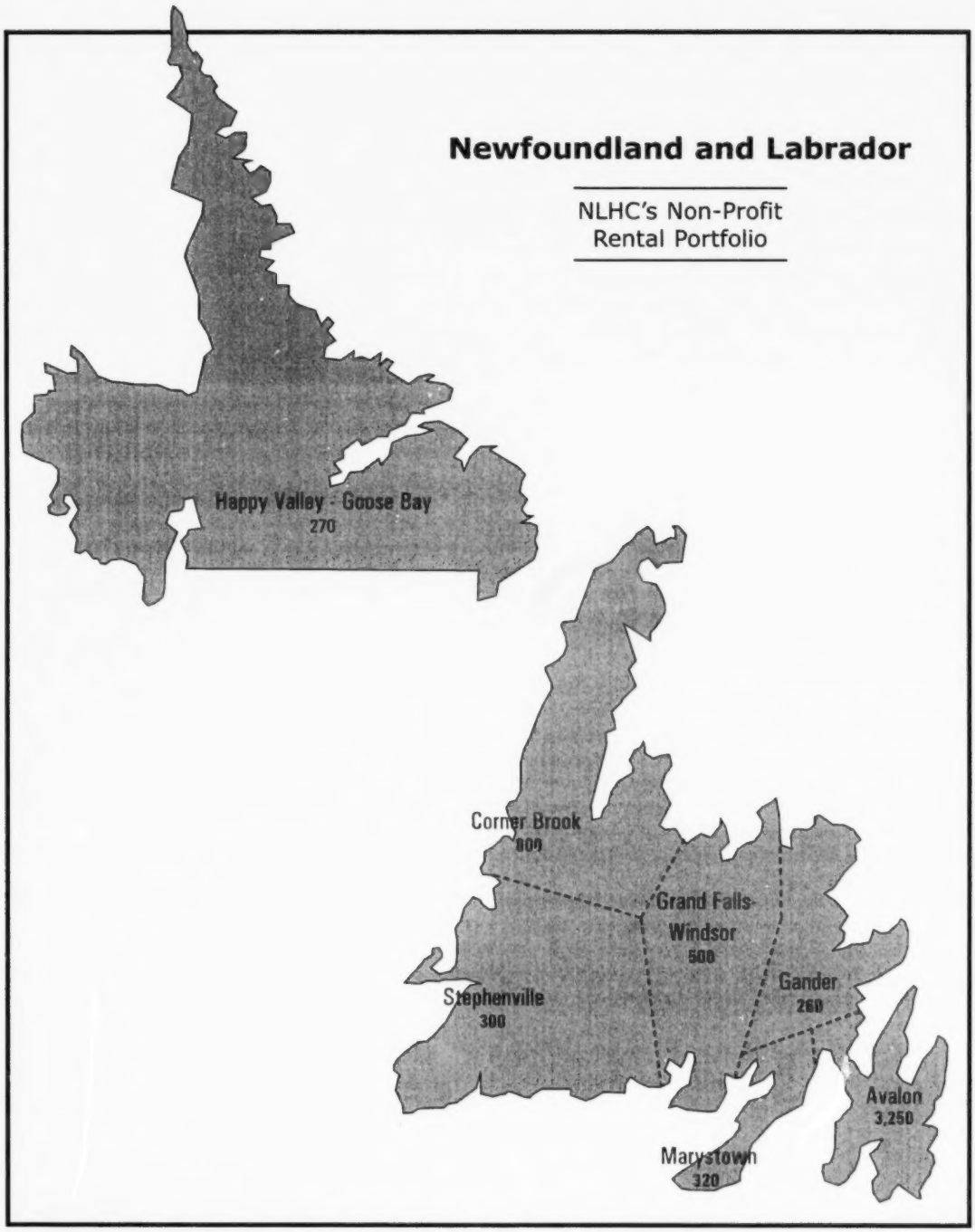
Len Simms
Chair and Chief Executive Officer

Corporate Profile

Total subsidized households served in 2005-06	12,400
Subsidized NLHC rental housing units	5,700
Subsidized Community housing units	4,900
Subsidized Rent Supplement units	1,000
Subsidized Mortgage units	800
Private Non-Profit partnerships formed since 1986	100
Federal/provincial funding provided to community-based housing groups in 2005-06	$9.6 million
Funding to be provided to community-based housing groups over the next five years under the federal/provincial social housing devolution agreement	$48.0 million
Grants and loans were provided to homeowners under the Provincial Home Repair Program (PHRP) to effect critical repairs in 2005-06	$8.4 million
Mortgage loans on repayment	687
These loans are valued at	$13.6 million
Home repair loans on repayment	4,020
These loans are valued at	$16.0 million
Maintenance, repair and renovation expenditures on NLHC rental units in 2005-06	$13.2 million
NLHC-funded tenant associations as of 2005-06	33
Community Centres operating province-wide and serving approximately 1,400 families and 5,600 individuals	7



Regional Map



Core Business Lines

NLHC and its federal partner, Canada Mortgage and Housing Corporation (CMHC), continue to cost-sharing housing assistance programs and services which address the needs of low-income seniors, non-elderly singles, families, Aboriginal people and disabled individuals throughout Newfoundland and Labrador.

SOCIAL HOUSING

The objective of the Social Housing business line is to provide subsidized rental accommodation for those whose housing need is greatest. In pursuing this business line, NLHC operates 5,700 units of public rental housing. Most of this housing stock was constructed from the 1950s to the early 1980s. In the current fiscal environment, our major challenge is the cost of maintaining, modernizing, and adapting these aging housing resources to meet today's needs.

- Non-profit Rental Housing:
  NLHC owns and administers approximately 5,700 social housing units throughout various regions of the province, with the greatest concentration of units located in St. John's (3,300) and Corner Brook (805). Low-income earners are the beneficiaries of the program with rental rates based on 25-30 per cent of monthly income. Approximately 27 per cent of units are occupied by pensioners. There are an estimated 14,000 individuals housed in NLHC units under this program.

  During 2005-06, NLHC and CMHC provided $29 million to subsidize this program. Approximately $47 million is spend in operating costs, $18 million is received in rental revenue.

  Each year, NLHC invests in the extended life of its current housing stock through its Maintenance and Modernization and Improvements plans. Approximately $8.6 million was spent on annual maintenance for the corporation's social housing portfolio in 2005-06. Another $4.3 million was spent on modernization and improvement work such as roofing, windows, siding and electrical upgrading.

- Rent Supplement Housing:
  NLHC provides a rent supplement program to help low-income households obtain suitable private-sector rental housing in cases where NLHC cannot meet this need through its social housing portfolio. Under a rent-geared-to-income formula, NLHC assists low-income households bridge the gap between the private market rate and their capacity to pay. Approximately 1,000 such rental agreements, housing 1,500 individuals, are funded by NLHC, primarily in St. John's and Corner Brook. In 2005-06, $3.5 million was used to ensure rental accommodations in the private market remained affordable. In recent years, low vacancy rates and escalating rents have challenged NLHC's efforts to maintain access to this housing option and have also resulted in increased demand for public housing units.

- NLHC Community Centres:
  The corporation provides annual operational support for seven community centres and 33 tenant associations province-wide. In 2005-06, NLHC provided approximately $695,000 in operational support funding for these centres and tenant associations. This funding is allocated as part of NLHC's Non-Profit Rental Housing operating costs.

HOUSING SUPPLY ASSISTANCE

The objective of the Housing Supply assistance business line is to improve and expand the supply of residential units for households with low incomes. This business line delivers two kinds of housing supply assistance — forgivable loans which enable property owners to make critical repairs or modifications to residential dwellings and forgivable loans to public, private and non-profit organizations to stimulate the development of new affordable rental housing stock. The Housing Supply Assistance business line contributes to meeting the basic housing needs of our communities, by helping to ensure the supply of quality, affordable modest housing.

- Provincial Home Repair Program (PHRP):
  This is a 50/50 federal/provincial cost-shared initiative which is administered by NLHC. Low-income households are assisted with modest assistance levels to improve their dwellings. This program primarily benefits seniors living in rural areas of the province. The average homeowner recipient is 61 years old, has an annual income of $13,000 and occupies a 41-year old house. During 2005-06, NLHC provided $8.4 million in assistance to over 1,800 households province-wide. Of this funding, $6.8 million was provided in the form of forgivable grants, and $1.6 million was made available through repayable loans.

- Affordable Housing Program:
  In May 2003, the Canada-Newfoundland and Labrador Affordable Housing Agreement was signed. The five-year $30 million agreement is cost-shared 50/50 with the federal government and administered through NLHC and Canada Mortgage and Housing Corporation. The principal objective of this program is to stimulate the development of affordable rental housing in the public, private and non-profit sectors for low-to-moderate income households. Under Phase 1 of this program, the province's priorities are rental housing for seniors and supportive housing for persons living with mental, developmental or physical health needs, who require supports to live independently in the community. Phase 2 is currently being negotiated.

- Mortgage Program:
  During 2005-06, NLHC provided a subsidy of $1.8 million to offset the repayment of approximately 687 mortgage loans that remain within the federal/provincial mortgage program. Delivery of this program ended in 1991.

COMMUNITY-BASED HOUSING

This business line provides support to social housing initiatives largely in partnership with approximately 100 non-profit, co-operative and health sector housing providers. Most of the approximately 4,900 social housing units under this program are operated directly by individual groups with NLHC holding the mortgage on these properties and providing some level of operating assistance.

- Community-Based Housing Program:
  The corporation provided $9.6 million during 2005-06 in support of its community-based housing units. Approximately 80 percent of the portfolio is occupied by seniors with an average age of 76 years and an average annual income of $12,000

REAL PROPERTY STEWARDSHIP

The objective of the Real Property Stewardship business line is to develop and/or divest of corporate land holdings and to manage other related property interests which are not integral to NLHC's role as a social housing agency. This business line reflects a revised role for NLHC following the 1998 directive to phase out the corporation's involvement in land banking and development. Some of the remaining real property assets covered by this business line are the Southlands residential land development, NLHC interest in sales revenues on lands divested to municipalities, and a small portfolio of leased commercial and industrial rental units. In pursuing this business line, NLHC takes a financially prudent and market-sensitive approach to development, divestiture and management decisions. Recovery of public investment, analysis of public costs and benefits of various options, and impacts on municipalities, developers, small builders/contractors, tenants and other relevant stakeholders are all considered.

- Southlands:
  In 2002-03, NLHC invited proposals from the private sector for the sale and development of Phase II in Southlands. The successful proponent is continuing to pursue development of Phase II.

Summary of Selected Measures and Indicators — Regional Operations

	Avalon
Provincial Home Repair Program Delivery	
Grants committee	491
Value of grants committee	$4,361,221
Loans committed	88
Value of loans committed	$748,612
Applications on Mortgage Administration System	1,142
Rental and Loan Administration	
Applications housed in public housing units (new tenants)	335
Applications housed in rent supplement (new tenants)	111
Transfers within public housing	58
Applications on Rental Management System — approved status	206
Chronic vacant units (six months or longer)	54
Tenant Relations	
Assessments completed (application, transfer, VOFV and pre-selection)	455
Community Based Housing	
Annual monitoring visits completed	25
Facilities Management	
Vacant units refurbished	393
Average days for vacancy turnaround (move-out to move-in)	59
Average cost for vacant unit refurbishment (exclude major remediation)	$2,772
Units converted for wheelchair accessibility	8

Marystown	Goose Bay	Gander	Corner Brook	Stephenville	Grand Falls-Windsor	2005-2006	2004-2005
114	72	295	289	337	240	1,838	1,921
$376,247	$272,581	$996,126	$1,048,043	$1,040,268	$787,961	$7,882,447	$8,094,307
12	7	46	38	127	64	383	474
$63,014	$12,235	$239,320	$172,202	$454,887	$210,187	$1,910,457	$1,805,549
95	166	556	599	484	502	3,544	4,168
54	74	49	106	51	80	749	724
0	0	10	24	4	16	165	136
22	5	10	29	4	0	128	81
7	16	3	124	68	207	631	1,018
57	52	1	2	0	8	174	125
8	9	30	18	1	20	541	545
3	4	8	4	1	7	52	21
86	76	67	132	60	100	914	934
N/R	37	93	63	35	46	55.5	42
$454	$1,522	$1,159	$2,111	$2,270	$1,890	$1,740	$1860
0	0	0	3	0	0	11	7

Honouring Employees

In June 2005, NLHC awarded the following employees with long-service awards for the 2004 calendar year.

10 Years' Service:
David Carey
Frank Corbett
Gary Dillon
Frank Elford
Louise Green
Leo Ivey
Donald Price
Robert Rossiter
Michael Ryan
Ivan Sheppard

15 Years' Service:
Derrick Blundon
Rhonda Byrne
Charmaine Dillon
Harold Doucette
Dennis Ezekiel
Brian Gough
Wade Lainey
Ann Marie Moores
Linda Parsons
Roger Patey
Clarines Rincon
Lana Wilson
George Walter

20 Years' Service:
Michael Brocklehurst
Stephen Clancey
James Dyck
Ray Gaulton
Lloyd Geary
Leslie Hynes
Michael Mitchell
Donna Pike
Donna Reynolds
David Scott
Carl Sheppard
Donald Simms
Sterling Spurrell
Kerry Squires
Lawrence Synyard
Jerry Young

25 Years' Service:
Rowena Bugden
Barb Dicks
Rhonda Evans
Maxine Hussey
Tom Lawrence
John Learning
Ivan McIssac
Randy Spurrell
Michelle White

30 Years' Service:
Keith Brown
Cosetta White

2004 Retirees:
Bert Benson
Guy Clarke
Les Dean
Marguerite Godfrey
Stanley Hunt
Marguerite Parsons

Sitting L-R: Roger Patey, Ann Marie Moores, Brian Gough
Standing L-R: Len Simms, Derrick Blundon, George Walter, Shawn Skinner

Scholarship Program

Each year, NLHC awards nine educational scholarships to adult clients, children of clients and children of employees in the Avalon/Eastern, Central and Western/Labrador regions. The scholarships are worth $1,000 each, and in the children's category are awarded based on the results of the Provincial Scholarship Exam. Winners of the adult scholarships are selected based on an interview that assesses initiative as well as community and work experience. The 2005 scholarship winners* are:

Clients' Children
Julia Curtis, St. John's
Ashley Neary, Corner Brook
Alicia Seward, Hillview

Employees' Children
Amy Callahan, Grand Falls-Windsor
Michael Donovan, Goulds
Jana Harding, Mount Pearl

Adult Clients
Lisa O'Brien , Corner Brook
Sandra Noseworthy, Grand Falls-Windsor
Lori Van Thiel, St. John's

**Scholarship winners' names are only published with their consent.*

Auditor's Report

To the Chairperson and Members
Newfoundland and Labrador Housing Corporation
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Housing Corporation as at 31 March 2006 and the statements of revenues, expenses and deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, C.A.
Auditor General

St. John's, Newfoundland and Labrador
23 June 2006

Balance Sheet

31 March 2006	2006 (000's)	2005 (000's)
ASSETS		
Accounts receivable (Note 2)	$ 1,852	$ 1,337
Due from Canada Mortgage and Housing Corporation (CMHC)	-	53
Due from the Province of Newfoundland and Labrador - Labrador Housing Programs (Note 3)	5,805	6,569
Inventory and prepaid expenses (Note 4)	3,273	3,338
Mortgages and loans receivable (Note 5)	26,194	31,960
Receivable from municipalities re: land transfers (Note 6)	2,384	2,753
Repossessed units (Note 7)	7	7
Land assemblies (Note 8)	7,684	7,952
Rental properties (Note 9)	218,823	227,564
Capital assets (Note 10)	5,755	5,610
	$ 271,777	$ 287,143
LIABILITIES AND EQUITY		
Bank indebtedness	$ 2,110	$ 2,654
Accounts payable and accrued liabilities	9,200	7,780
Due to Canada Lands Corporation (CLC)	-	58
Due to CMHC	305	-
Deferred revenue (Note 11)	960	945
Group health and life insurance retirement benefits (Note 12)	10,158	9,432
Capital replacement fund (Note 13)	7,713	8,008
Mortgage insurance fund (Note 14)	3,245	3,393
Mortgages, debentures and similar indebtedness (Note 15)	36,555	44,524
CMHC investment in cost-shared programs (Note 16)	143,072	152,503
	213,318	229,297
Equity		
Contributed capital—Province of Newfoundland and Labrador (Note 17)	62,861	62,861
Deficit	(4,402)	(5,015)
	58,459	57,846
	$ 271,777	$ 287,143

Contingent liabilities (Note 18)

Commitments (Note 19)

See accompanying notes

Signed on behalf of the Board: _____ Chairperson _____ Member

Statement of Revenues, Expenses & Deficit

For the year ended 31 March 2006	2006 (000's)	2005 (000's)
REVENUES		
CMHC (Note 21)	$ 59,588	$ 60,730
Rent	19,275	19,573
Province of Newfoundland and Labrador operating grant	9,650	9,910
Interest	7,646	8,240
Land assemblies sales	561	597
Profit from land sales by municipalities	410	288
Other income	295	245
Gain on sale of rental properties	161	-
	97,586	99,583
EXPENSES		
CLC share of land assemblies profits	-	49
CMHC share of interest revenue	967	1,107
Community based housing operating subsidies	9,585	10,250
Grants to homeowners	7,601	7,728
Interest expense	3,698	4,089
Land assemblies costs (Note 8)	459	463
Losses on mortgages, loans and repossessions	475	261
Loss on sale of rental properties	-	190
Mortgage subsidies	1,785	2,053
Municipal receivable write-off	234	-
Net administration (Note 22)	15,437	14,068
Rent supplement subsidies	3,537	3,485
Rental properties write-down	-	418
Rental properties write-off	282	470
Rental unit expenses (Note 23)	52,913	52,144
	96,973	98,838
Excess of revenues over expenses	613	2,745
Deficit, beginning of year	(5,015)	(7,760)
Deficit, end of year	$ (4,402)	$ (5,015)

See accompanying notes

Statement of Cash Flows

For the year ended 31 March 2006	2006 (000's)	2005 (000's)
Cash flows from operating activities:		
Excess of revenues over expenses	$ 613	$ 2,745
Add (deduct) non-cash items:		
Mortgage subsidies	1,785	2,053
Losses on mortgages, loans and repossessions	475	261
Amortization of rental properties (Note 23)	6,495	6,144
Amortization of community based housing	622	567
Amortization of Labrador Housing Programs	819	837
Market value write-down of rental properties	-	418
Write-off of rental properties	282	470
Loss (Gain) on sale of rental properties	(161)	190
Amortization of capital assets	436	360
CLC portion of non-cash items	-	49
CMHC portion of non-cash items	791	1,029
Group health and life insurance retirement benefits (Note 12)	726	253
	12,883	15,376
Net change in other operating items	1,479	1,774
	14,362	17,150
Cash flows from investing activities:		
Advances of mortgages and loans	(1,969)	(2,364)
Principal recoveries of mortgages and loans	5,475	5,392
Investment in rental properties	-	(49)
Sale of rental properties	1,502	311
Investment in capital assets	(581)	(54)
Labrador Housing Programs	(55)	(140)
	4,372	3,096
Cash flows from financing activities:		
Repayments of mortgages, debentures, and similar indebtedness	(7,969)	(6,476)
Increase in CLC investment in land	-	1
Repayments of CLC investment in land	-	(50)
Repayments of CMHC investment in cost-shared programs	(10,221)	(10,227)
	(18,190)	(16,752)
Decrease in bank indebtedness	544	3,494
Bank indebtedness, beginning of year	(2,654)	(6,148)
Bank indebtedness, end of year	$ (2,110)	$ (2,654)

See accompanying notes

Notes to Financial Statements

31 March 2006

AUTHORITY

The Newfoundland and Labrador Housing Corporation (the Corporation) operates under authority of the *Housing Corporation Act*. The purpose of the Corporation is to provide cost-effective housing and related programs for the benefit of the residents of the Province with priority given to those most in need. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

1. Significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Mortgages and loans receivable

An allowance for mortgages and loans impairment is estimated based on the value of accounts referred to a collection agency and the accounts with reported arrears balances. The security and source of funding for the accounts that are in arrears are considered in this estimation.

(b) Repossessed units

Repossessed units are valued at the lower of cost and net realizable value based on appraised values and the estimated recovery of cost through social housing rental programs.

(c) Land assemblies

Land assemblies are valued at the lower of cost and net realizable value. Items capitalized as the cost of land assemblies include land acquisition costs, development costs and interest.

Land assembly sales are recognized as earned. A portion of the sales revenue is deferred to cover future anticipated costs relative to the land sold. The percentage of revenue deferred is equal to the percentage of cost to complete on a project by project basis.

(d) Rental properties

Rental properties are valued at the lower of cost less accumulated amortization and net recoverable amount. Items capitalized as the cost of a project include land acquisition costs, development and construction costs, interest and other related carrying charges. In instances where properties have been transferred from Government departments, costs have been recorded at $1. Amortization is calculated using the methods described below based on the expected future useful life of all assets as follows:

Notes to Financial Statements

31 March 2006

1. Significant accounting policies (cont'd)

(d) Rental properties (cont'd)

Non-profit housing
- Capital cost . . . . . Sinking fund, 25-50 years
- Renovation costs . . . . . Sinking fund, 15 years

Market housing
- Capital cost . . . . . 2% declining balance
- Renovation costs . . . . . Straight line, 15 years

(e) Capital assets

All capital assets are capitalized at cost at the time of acquisition. Amortization is calculated using the methods described below based on the expected future useful life of all assets as follows:

Office buildings . . . . . 2% declining balance
Furniture and office equipment . . . . . Straight line, 10 years
Computer hardware and software . . . Straight line, 4 years
Vehicles . . . . . Straight line, 5 years

(f) Severance pay

Severance pay is calculated based on years of service and current salary levels. Entitlement to severance pay vests with employees after nine years of continuous service. The amount is payable when the employee ceases employment with the Corporation unless the employee transfers to another entity in the public service, in which case the liability is transferred with the employee to the other entity.

2. Accounts receivable

	2006 (000's)	2005 (000's)
Rents	$ 217	$ 203
Miscellaneous	1,792	1,259
	2,009	1,462
Less: allowance for doubtful accounts	157	125
	$ 1,852	$ 1,337

Notes to Financial Statements

31 March 2006

3. Due from the Province of Newfoundland and Labrador - Labrador Housing Programs

In March 2000, the Province directed the Corporation to fund the renovation of existing dwellings and construction of new dwellings in Northern Coastal Labrador. In March 2002, the Province directed the Corporation to fund the construction of a personal care home in Mary's Harbour.

Under these initiatives, title to these dwellings is held by the homeowners with the Province repaying the renovation and construction costs over a 15 year period. As at 31 March 2006 the amount due from the Province was $5,805,000 (2005 - $6,569,000).

4. Inventory and prepaid expenses

	2006 (000's)	2005 (000's)
Inventory	$ 527	$ 481
Prepaid expenses	2,746	2,857
	$ 3,273	$ 3,338

5. Mortgages and loans receivable

	2006 (000's)	2005 (000's)
Subsidized mortgages to homeowners	$ 10,606	$ 13,751
Residential Rehabilitation Assistance Program loans	9,081	11,883
Provincial Home Repair Program	6,951	8,056
Other mortgages and loans	2,970	2,619
	29,608	36,309
Less: allowance for impaired accounts	3,414	4,349
	$ 26,194	$ 31,960

The allowance for impaired mortgages and loans relates primarily to the Residential Rehabilitation Assistance Program loans portfolio.

Notes to Financial Statements

31 March 2006

6. Receivable from municipalities re: land transfers

In September 1998, the Province directed the Corporation to enter into agreements with municipalities to transfer its banked and developed industrial and commercial land. The agreements will transfer these lands to the municipalities under a mortgage arrangement and provide for a share of future land sales revenue to the Corporation.

The receivable is valued at the lower of the carrying value of the land at the date of transfer and the Corporation's share of the net realizable value of the land as outlined in the agreement. The estimated net realizable value is determined using management's best estimates of future sales. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates are not predictable. Consequently, adjustments to the carrying value of the receivable from municipalities re: land transfers are possible depending on the impact of any changes and management's best estimate of them.

As of 31 March 2006, twenty agreements have been completed for the transfer of lands to municipalities at a carrying value of $2,384,000 (2005 - $2,753,000).

7. Repossessed units

	2006 (000's)	2005 (000's)
Repossessed units	$ 41	$ 24
Less: allowance for impairment	34	17
	$ 7	$ 7

8. Land assemblies

	2006 (000's)	2005 (000's)
Land assemblies, beginning of year	$ 7,952	$ 8,452
Cost incurred during the year:		
Land acquisition and development	40	(175)
Interest, capitalized	151	138
	8,143	8,415
Less: cost of earned sales recognized during year	459	463
Land assemblies, end of year	$ 7,684	$ 7,952

Notes to Financial Statements

31 March 2006

8. Land assemblies (cont'd)

Land assemblies are valued at the lower of cost and net realizable value. The estimated net realizable value is determined using management's best estimates of future sales and costs. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates, are not predictable. Consequently, material adjustments to the carrying value of the asset are possible depending upon the impact of any changes and management's best estimate of them. In September 1998, the Province directed the Corporation to divest of the majority of its land holdings.

9. Rental properties

	2006				2005
	Cost	Accumulated Amortization	Write down to Net Recoverable Amount	Net Book Value	Net Book Value
	(000's)	(000's)	(000's)	(000's)	(000's)
Non-profit housing					
- Capital cost	$ 259,025	$ 47,417	$ 307	$ 211,301	$ 219,494
- Renovation costs	4,980	1,663	-	3,317	3,688
Market housing					
- Capital cost	6,635	2,563	-	4,072	4,221
Leased land	133	-	-	133	161
	$ 270,773	$ 51,643	$ 307	$ 218,823	$ 227,564

10. Capital assets

	2006			2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(000's)	(000's)	(000's)	(000's)
Office buildings	$ 7,732	$ 2,482	$ 5,250	$ 5,123
Furniture and office equipment	127	77	50	62
Computer hardware	247	65	182	50
Computer software	88	75	13	202
Vehicles	2,018	1,758	260	173
	$ 10,212	$ 4,457	$ 5,755	$ 5,610

Notes to Financial Statements

31 March 2006

11. Deferred revenue

	2006 (000's)	2005 (000's)
Rentals	$ 960	$ 945

Deferred revenue rentals consist of rental payments received by the Corporation in advance of the due dates.

12. Group health and life insurance retirement benefits

All retired employees of the Corporation are eligible to participate in the group insurance plans. Under the plans, the Corporation pays 50% of the total premium charged towards the benefits of both active employees and retirees for both the life insurance and health benefits under the plans. As at 31 March 2006, the plans provided benefits to 155 retirees.

Group health and life insurance retirement benefits liability

Details of the group health and life insurance retirement benefits liability are outlined in the table below:

	Estimated Accrued Benefit Obligation	Unamortized Experience Losses 2005	Net Liability 2005	Net Liability 2004	Change
	(000's)	(000's)	(000's)	(000's)	(000's)
Group health retirement benefits	$ 10,196	$ (1,270)	$ 8,926	$ 8,277	$ 649
Group life insurance retirement benefits	1,254	(22)	1,232	1,155	77
	$ 11,450	$ (1,292)	$ 10,158	$ 9,432	$ 726

There are no fund assets associated with these plans.

Group health and life insurance retirement benefits expense

In these statements group health and life insurance retirement benefits costs have been determined as the cost of benefits accrued during the period. Interest on the liability has been accrued for the same period.

The change in the liability for the current period is comprised of the following amounts:

Notes to Financial Statements

31 March 2006

12. Group health and life insurance retirement benefits (cont'd)

	Corporation's Share of Current Period Costs	Interest Expense on the Liability	Corporation's Current Period Contributions	Current Period Amortization of Experience Changes	Change
	(000's)	(000's)	(000's)	(000's)	(000's)
Group health retirement benefits	$ 210	$ 531	$ (142)	$ 50	$ 649
Group life insurance retirement benefits	16	71	(12)	2	77
	$ 226	$ 602	$ (154)	$ 52	$ 726

Experience gains or losses

Experience gains or losses are amortized over the estimated average remaining service life of active participants. The amortization amount will be included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

The unamortized experience loss at 31 March 2006 resulted from a change in the discount rate used by the actuaries and an increase in health premium rates.

13. Capital replacement fund

In accordance with program guidelines for non-profit and urban native housing projects, sponsor groups are required to set aside funds for the replacement of major capital items. The funds are held on behalf of the project sponsors and are released as eligible capital replacement expenditures are incurred.

Transactions relating to the capital replacement fund during the year are as follows:

	2006 (000's)	2005 (000's)
Balance, beginning of year	$ 8,008	$ 7,599
Annual funding provisions	-	541
Capital replacement expenditures	(295)	(132)
Balance, end of year	$ 7,713	$ 8,008

Notes to Financial Statements

31 March 2006

14. Mortgage insurance fund

Upon signing the Canada - Newfoundland Social Housing Agreement (see Note 21), the Corporation assumed liability for all losses and costs that may be incurred in respect of a portfolio of loans that are owned and were previously insured by Canada Mortgage and Housing Corporation (CMHC). In return, CMHC provided the Corporation with a $3,000,000 mortgage insurance fund as protection against future losses. Losses on loans are deducted from the fund, while interest earnings were added to the fund until 1 April 2003. The Corporation ceased accruing interest as of 1 April 2003.

	2006 (000's)	2005 (000's)
Balance, beginning of year	$ 3,393	$ 3,407
Losses for the year	(148)	(14)
Balance, end of year	$ 3,245	$ 3,393

The fund covers a portfolio of federal loans totaling $166,107,440. The majority of these loans relate to either Social Housing projects that receive significant federal/ provincial annual operating subsidies or nursing home accommodations with Provincial Government guarantees. While an independent actuarial valuation of the fund has not been carried out, the fund is considered adequate by the Corporation's management.

15. Mortgages, debentures and similar indebtedness

	2006 (000's)	2005 (000's)
With fixed terms of repayment		
(a) CMHC fixed rate term debentures, at an interest rate of 4.12% repayable in blended annual instalments of $2,096,253, with final due dates ranging from December 2021 to January 2030.	$ 27,563	$ 28,557
(b) Canadian Imperial Bank of Commerce fixed rate bankers acceptances, at an interest rate of 4.34%, due on 07 April 2006.	8,992	15,967
	$ 36,555	$ 44,524

Notes to Financial Statements

31 March 2006

15. Mortgages, debentures and similar indebtedness (cont'd)

Principal repayments for the next five years on the $36,555,000 of debt with fixed terms of repayment are as follows:

	(000's)
2007	$ 9,982
2008	$ 1,030
2009	$ 1,073
2010	$ 1,118
2011	$ 1,165

16. CMHC investment in cost-shared programs

	2006 (000's)	2005 (000's)
Non-profit rental housing	$ 90,158	$ 91,100
Rural and native housing	45,697	52,073
Home repair assistance	7,217	9,330
	$ 143,072	$ 152,503

The principal and interest payments required to amortize CMHC's investment in non-profit rental housing and rural and native housing is funded entirely through the annual federal grant paid by CMHC, pursuant to the Canada - Newfoundland Social Housing Agreement signed in April 1997 (see Note 21).

Repayment of CMHC's investment in the home repair assistance programs has no fixed term and is dependant upon future repayments of principal and interest on mortgages and loans.

17. Contributed capital — Province of Newfoundland and Labrador

Contributed capital represents accumulated capital advances of $62,861,000 made to the Corporation by the Province. These advances are utilized by the Corporation to develop housing projects, land assemblies and related programs for the benefit of the residents of the Province.

18. Contingent liabilities

(a) Claims have been filed against the Corporation for:

(i) General damages related to the enforcement of a Sales and Development Agreement for a shopping mall complex.

Notes to Financial Statements

31 March 2006

18. Contingent liabilities (cont'd)

(ii) $100,000 relating to funds withheld from a contractor for deficiencies on houses constructed. This claim was filed by the contractor against both the Corporation (the mortgagee) and the homeowners of the houses.

(iii) Special damages related to an alleged breach of contract and/or negligence relating to the sale of an apartment and commercial complex property.

The above claims have not progressed far enough to enable the formation of a definite opinion as to their outcome. Therefore, the likelihood and the amount of loss to the Corporation is not determinable at this time.

(b) The Corporation has provided guarantees on outstanding mortgage balances totaling $403,800 for qualifying homeowners. Presently the probability of loss resulting from these guarantees is unlikely.

(c) In 1996, the Corporation learned that possible environmental liabilities exist with respect to potential large quantities of fuel left in abandoned fuel storage facilities in the Stephenville area. The Corporation has removed some of the underground tanks and fuel lines and has undertaken some further study. To date, expenditures related to this work have totalled $2,600,000. As well, based on the studies completed to date, further remediation is estimated to cost $10,000,000.

(d) In 1998, the Corporation learned that possible environmental liabilities exist with respect to environmental contaminants including hydrocarbons and various heavy metals in the soil and groundwater on 20 hectares of the total 102 hectares in the Paradise area. Title to this site had been transferred to the Town of Paradise during 1998-99 as part of the Corporation's land divestiture program; however, the Corporation will be liable for any costs that must be incurred to clean up the site. Information received from a study completed in January 2000 indicates that the estimated costs of undertaking site remediation based on the information to date is in the order of $6,000,000.

(e) During 1999, the Corporation learned of possible environmental liabilities relating to 16 underground fuel tanks in its Buckmaster's Circle rental property. As a result of an environmental study conducted in 2000, the cost of environmental remediation related to this property is estimated at $1,000,000. To date, expenditures related to this work have totalled $352,000.

(f) During 2005, the Corporation learned of possible environmental liabilities relating to underground fuel tanks in its St. John's properties located on Cashin Avenue, Froude Avenue, Empire Avenue and Hoyles Avenue. The cost of environmental remediation is estimated at $1,400,000.

Notes to Financial Statements

31 March 2006

19. Commitments

The Corporation has commitments totaling $2,139,462 comprised of uncompleted purchase and construction contracts at year end of $683,182 and commitments under lending programs of $1,456,280.

20. Financial instruments

The Corporation's short-term financial instruments recognized on the balance sheet consist of accounts receivable, due from/to CMHC, bank indebtedness, accounts payable and accrued liabilities, and due to CLC. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Any estimated impairment of accounts receivable has been provided for through an allowance for doubtful accounts and no further credit risk exists in relation to the short-term financial instruments.

The Corporation's long-term financial instruments recognized on the balance sheet consist of due from the Province of Newfoundland and Labrador - Labrador Housing Programs, mortgages and loans receivable, receivable from municipalities re: land transfers, group health and life insurance retirement benefits, and mortgages, debentures and similar indebtedness. Any estimated impairment of mortgages and loans receivable and receivable from municipalities re: land transfers is provided for through an allowance for impaired accounts and no further credit risk exists for these long-term receivables. Interest rates on the majority of mortgages and loans receivable and on mortgages, debentures and similar indebtedness are fixed to maturity. Therefore, the carrying values of these long-term financial instruments approximate their fair value and these instruments are not subject to any material interest rate risk.

21. Revenue from CMHC

CMHC's share of program subsidies and administration costs are as follows:

	2006 (000's)	2005 (000's)
1997 Canada-Newfoundland Social Housing Agreement	$ 53,784	$ 54,729
Provincial Home Repair Program	4,528	5,712
Affordable Housing Program	939	-
Residential Rehabilitation Assistance Program	325	276
Mortgages	12	13
	$ 59,588	$ 60,730

On 22 April 1997, the Corporation signed the Canada - Newfoundland Social Housing Agreement with CMHC replacing all existing social housing program agreements between the two parties relating to social housing programs, with the exception of certain loan and mortgage programs.

Notes to Financial Statements

31 March 2006

22. Net administration

	2006 (000's)	2005 (000's)
Advertising and promotion	$ 65	$ 55
Computer system costs	1,161	960
General	449	402
Office equipment leases	54	46
Office equipment purchases	34	34
Office supplies	134	145
Rent, heat, light, cleaning and maintenance	1,027	984
Salaries and employee benefits	11,782	10,821
Telephone and postage	329	314
Travel and vehicle costs	402	320
Total administration	15,437	14,081
Less: recharged to capital projects	-	13
Net administration	$ 15,437	$ 14,068

23. Rental unit expenses

	2006 (000's)	2005 (000's)
Amortization	$ 6,495	$ 6,144
Bad debts	72	177
Heat, light and operating	8,598	8,713
Interest on long-term debt	19,873	20,258
Municipal taxes	4,640	4,474
Repairs and maintenance	13,235	12,378
	$ 52,913	$ 52,144

24. Pensions

Under the *Housing Corporation Act*, Corporation staff are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Corporation and remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension contributions for 2006 was $929,000 (2005 - $910,000).

Notes to Financial Statements

31 March 2006

25. Self-insurance

With the exception of certain high-risk projects, the Corporation follows the policy of self-insuring its rental properties for property damage such as fire, water and vandalism. The costs of these repairs are charged to rental unit expenses.

26. Province of Newfoundland and Labrador contribution

The Province of Newfoundland and Labrador contributes approximately 10% of the Corporation's total revenues. The contribution enables the Corporation to carry out its overall mandate and to meet its fiscal challenges.

The Corporation's ability to continue to fulfill its mandate is dependent upon the decisions of the Province of Newfoundland and Labrador.

27. Income Taxes

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

Corporate Directory (for the fiscal year 2005-06)

Minister Responsible for Housing

Honourable Joan Burke (April 2005 - November 2005)
Honourable Paul Shelley (November 2005 - March 2006)

Board of Directors

Len Simms	Chairman and Chief Executive Officer
Verna Northcott	Member
Thomas G. Baker	Member
Kimberley Anne Stroud	Member
Barbara Cull	Member
Carol Gear	Member
Daniel McCann	Member
Monical Yetman	Member
Edward White	Member
Joe Dunphy	Member
Ed Power	Member

Executive Management

Len Simms	Chairman and Chief Executive Officer
Gerry Kennedy	Senior Executive Director, Corporate Operations
Tom Lawrence	Chief Financial Officer
Glenn Goss	Executive Director, Corporate Administration
Clyde Thornhill	Executive Director, Corporate Support Services

Senior Management

Rick Magill	Team Leader, Information Technology
John Halliday	Team Leader, Administrative Services
Barry Tucker	Team Leader, Technical Services
Kate Moffatt	Team Leader, Planning and Research
Kevin Williams	Team Leader, Programs
Rowena Kelloway	Team Leader, Human Resources
Dave Aker	Team Leader, Accounting

Regional Offices

Paul Abbott	Regional Manager, Marystown
Gordon Bailey	Regional Manager, Grand Falls
Emile Cabot	Regional Housing Director, Avalon Regional Office
Norman Feltham	Regional Manager, Gander
Nelson Flynn	Regional Manager, Goose Bay
Allan Reid	Regional Manager, Stephenville and Acting Regional Manager, Corner Brook

Head Office and Regional Operations

Head Office

Sir Brian Dunfield Building
2 Canada Drive
P.O. Box 220
St. John's, NL
A1C 5J2

Telephone: (709) 724-3000
Facsimile: (709) 724-3250

Avalon Regional Office

Sir Brian Dunfield Building
2 Canada Drive
P.O. Box 220
St. John's, NL
A1C 5J2

Telephone: (709) 724-3000
Facsimile: (709) 724-3007

Corner Brook Regional Office

19 Union Street
P.O. Box 826
Corner Brook, NL
A2H 6H6

Telephone: (709) 639-5201
Facsimile: (709) 639-5206

Gander Regional Office

143 Bennett Drive
P.O. Box 410
Gander, NL
A1B 1W8

Telephone: (709) 256-1300
Facsimile: (709) 256-1320

Happy Valley-Goose Bay Regional Office

8 Royal Street
P.O. Box 299, Stn. "B"
Happy Valley-Goose Bay, NL
A0P 1E0

Telephone: (709) 896-1920
Facsimile: (709) 896-9208

Grand Falls-Windsor Regional Office

5 Hardy Avenue
Grand Falls-Windsor, NL
A2A 2P8

Telephone: (709) 292-1000
Facsimile: (709) 292-1028

Labrador City Sub-Office

1021 Cavendish Square
Apartment 105
Labrador City, NL
A2V 2W5

Telephone: (709) 944-7474
Facsimile: (709) 944-3298

Marystown Regional Office

60 Atlantic Crescent
P.O. Box 338
Marystown, NL
A0E 2M0

Telephone: (709) 279-5375
Facsimile: (709) 279-5387

Stephenville Regional Office

58 Oregon Drive
Stephenville, NL
A2N 2Y1

Telephone: (709) 643-6826
Facsimile: (709) 643-6843

Newfoundland and Labrador
Housing Corporation

2 Canada Drive
P.O. Box 220
St. John's, NL
A1C 5J2

www.nlhc.nf.ca